

## Message Text

LIMITED OFFICIAL USE

PAGE 01 JAKART 01652 01 OF 02 041115Z

ACTION EA-09

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-01 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-08 FRB-03 TRSE-00 XMB-02 OPIC-03

CIEP-01 LAB-04 SIL-01 OMB-01 AGRE-00 ITC-01 STR-04

/088 W

-----041120Z 055724 /11

R 041100Z FEB 77

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 9116

INFO AMEMBASSY BANGKOK

AMEMBASSY KUALA LUMPUR

AMEMBASSY MANILA

AMEMBASSY SINGAPORE

LIMITED OFFICIAL USE SECTION 1 OF 2 JAKARTA 1652

E.O. 11652: N/A

TAGS: EGEN, ETRD, EINV, ASEAN

SUBJECT: ASEAN ECONOMIC DISAGREEMENT

REFS: (A) STATE 20410, (B) MANILA 1164

1. SUMMARY: GOI SOURCES STATE THEIR GOVERNMENT'S HARD LINE AGAINST ASEAN TRADE PREFERENCE IS BASED ON NEED FOR PROTECTION OF DOMESTIC INDUSTRY. DEVELOPMENT OF INDONESIAN ECONOMY IS TOP GOI ECONOMIC PRIORITY AND LOWERING TARIFF BARRIERS IS NOT ALWAYS CONSISTENT WITH ACHIEVEMENT OF THIS GOAL. GOI ADVOCATES STEP-BY-STEP APPROACH TO TARIFF CUTTING AND THE STEPS CLEARLY WILL BE SMALL AND WELL SPACED. HOWEVER, GOI NOT OPPOSED TO "PREFERENTIAL BUYING" IF CONDITIONS APPROPRIATE. END SUMMARY.

2. EMBOFF CALLED ON GARNAWAN DHARMAPUTRA, DIRECTOR OF BUREAU FOR PLANNING AND EVALUATION IN ASEAN NATIONAL  
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 JAKART 01652 01 OF 02 041115Z

SECRETARIAT FEBRUARY 2 FOR HIS ASSESSMENT FOLLOWING APPARENT SETBACK TO ASEAN PROGRESS RESULTING FROM INABILITY OF ECONOMIC MINISTERS TO FINALIZE TRADE PREFERENCE AGREEMENT IN MANILA. DHARMAPUTRA INITIALLY SOUGHT TO GLOSS OVER DISAGREEMENT BY POINTING TO FACT THAT A DRAFT AGREEMENT HAD BEEN REACHED AND THAT FOLLOWING APPROVAL IN THE FIVE CAPITALS IT WOULD BE

SIGNED LATER THIS MONTH BY THE FOREIGN MINISTERS.  
COMPARED WITH A YEAR EARLIER WHEN NO AGREEMENT ON ANY  
AREA OF TRADE PREFERENCE EXISTED, THE CONSENSUS REACHED  
AT MANILA SHOULD NOT BE OVERLOOKED.

3. WHEN PRESSED, HE CONCEDED THT SINGAPORE COULD NOT  
HAVE GONE AWAY FROM MANILA IN A HAPPY FRAME OF MIND.  
SINGAPORE HAS BEEN PUSHING FOR FREE TRADE FOR YEARS,  
WITH ALMOST NOTHING TO SHOW FOR ITS EFFORTS AND THE  
MANILA RESULTS SURELY REPRESENT ANOTHER BRAKE ON THESE  
EFFORTS. HE SUGGESTED THAT SINGAPORE HAD NOT HELPED  
ITS CAUSE BY EARLIER AGREEING WITH THE PHILIPPINES TO  
A 10 PERCENT TARIFF CUT AND WENT ON TO ASK RHETORICALLY  
WHETHER A BILATERAL ARRANGEMENT WITHIN A MULTILATERAL  
CONTEXT IS LIKELY TO STRENGTHEN OR WEAKEN THE ASSOI-  
ATION. HE ADDED THAT HE COULD UNDERSTAND SINGAPORE'S  
IMPATIENCE, BUT THAT RECONCILIATION OF ITS ALL-AT-ONCE  
APPROACH WITH THE GOI'S STEP-BY-STEP APPROACH WOULD BE  
DIFFICULT.

4. DEVELOPMENT OF THE DOMESITIC ECONOMY IS INDONESIA'S  
TOP PRIORITY, DHARMAPUTRA SAID, AND IT WOULD BE VERY  
DIFFICULT FOR THE GOI TO AGREE TO TARIFF CUTS ON MANU-  
FACTURES AT A TIME WHEN INDUSTRILIZATION ERE IS IN  
ITS FORMATIVE STAGES. EACH ASEAN MEMBER MUST BALANCE  
ITS DOMESTIC INTERESTS AGAINST ITS REGIONAL OBLIGATIONS,  
AND SINGAPORE'S DESIRE FOR FREE TRADE IS SIMPLY NOT  
IN INDONESIA'S INTEREST. HE THEN NOTED THAT WHILE THE  
GOI COULD ONLY ACCEPT A PREFERENCE AGREEMENT WHICH  
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 JAKART 01652 01 OF 02 041115Z

INCORPORATED AGRICULTURAL PRODUCTS OR COMMODITIES AT  
THIS TIME, THE IMPORTANCE OF THE AGREEMENT AS A FIRST  
STEP STILL REPRESENTS "GREAT PROGRESS." HE SAID FURTHER  
REVIEW OF TRADE PREFERENCE MATTERS WOULD TAKE PLACE  
ON SINGAPORE'S HOME GROUND AT THE NEXT ECONOMIC MINISTRS  
MEETING BUT WAS CAREFUL NOT TO IMPLY THAT ANY  
DRAMATIC CHANGES IN GOI THINKING WERE LIKELY BY THAT  
TIME. DHARMAPUTRA THEN SAID ASEAN PROGRESS IN  
CULTURAL AND SOCIAL FIELDS, BOTH OF WHICH ARE CURRENTLY  
TAKING A BACK SEAT TO ECONOMIC DISCUSSIONS, WAS NECESSARY  
AND COULD PERHAPS BALANCE ANY LACK OF PROGRESS IN  
THE LATTER AREA.

5. DHARMAPUTRA WAS NOT ROUBLED BY REPORT THAT THE  
DEPT. OF INDUSTRIES IS NOW SAID TO BE CONSIDERING  
NO FEWER THAN SIX DIESEL ENGINE PROJECTS DESPITE  
SINGAPORE'S SUPPOSED EXCLUSIVITY AND THAT OFFICIALS  
THERE SAY THAT THE FONMIN SHOULD WORRY ABOUT ASEAN  
RELATIONS. AGAIN CITING THE PRIORITY OF DOMESTIC

DEVELOPMENT, HE SAID ASEAN PROJECTS MUST FIT ASEAN REQUIREMENTS. ALL THE MEMBERS WISH TO FURTHER DOMESTIC DIESEL ENGINE PRODUCTION, AND SINGAPORE'S PROJECT SHOULD NOT STEP ON THE TOES OF THE OTHER FOUR. IT SHOULD SUPPLY ONLY THAT WHICH CANNOT BE MET FROM DOMESTIC REQUIREMENTS.

6. ABOVE-REPORTED COMMENTS WERE SUBSTANTIATED DURING ECON COUNSELOR'S CALL FOLLOWING DAY ON MINISTER OF TRADE PRAWIRO WHO BASED HIS "GO SLOW" ATTITUDE TOWARDS ASEAN ECONOMIC COOPERATION ON HIS EXPERIENCE DURING HIS UNIVERSITY STUDIES IN THE NETHERLANDS. PRAWIRO SAID THAT HE HAD LEARNED A GREAT DEAL FROM OBSERVING THE GREAT DIFFICULTIES ENCOUNTERED IN THE FORMATION OF BENELUX AND THE EARLY PHASES OF THE COMMON MARKET AND THAT RUSHING TARIFF PREFERENCES WAS SIMPLY UNWORKABLE. HE ALSO MADE COMMENT CONCERNING DIFFICULTIES OF MAKING BILATERAL LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 JAKART 01652 01 OF 02 041115Z

ARRANGEMENTS WITHIN A MULTILATERAL CONTEXT.

7. PRAWIRO CONTINUED THAT FOR DEVELOPING COUNTRY LIKE INDONESIA TARIFFS WILL CONTINUE TO BE IMPORTANT SOURCE OF GOVERNMENT REVENUE AND ACCORDINGLY THEY SHOULD NOT BE HASTY IN REDUCING TARIFFS EVEN WITHIN ASEAN. THERE WOULD BE EXCEPTIONS, OF COURSE, PARTICULARLY WHERE THERE ARE COMPLEMENTARY SECTORS BETWEEN MEMBER COUNTRIES SUCH AS IN AGRICULTURAL COMMODITIES. FIRST PRIORITY FOR GOI WOULD BE "IN PREFERENTIAL BUYING." HE CITED AS AN EXAMPLE INDONESIAN SALES OF UREA TO THE

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 JAKART 01652 02 OF 02 041104Z

ACTION EA-09

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-01 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-08 FRB-03 TRSE-00 XMB-02 OPIC-03

CIEP-01 LAB-04 SIL-01 OMB-01 AGRE-00 STR-04 ITC-01

/088 W

-----041120Z 055548 /11

R 041100Z FEB 77  
FM AMEMBASSY JAKARTA  
TO SECSTATE WASHDC 9117  
INFO AMEMBASSY BANGKOK  
AMEMBASSY KUALA LUMPUR  
AMEMBASSY MANILA  
AMEMBASSY SINGAPORE

LIMITED OFFICIAL USE SECTION 2 OF 2 JAKARTA 1652

PHILIPPINES OF A SPECIFIC FERTILIZER COMPOUND.

8. AS FOR LONG-RANGE PROSPECTS FOR ASEAN ECONOMIC COOPERATION, PRAWIRO SAID THAT THE MANDATE AND POLITICAL WILL TO PUSH IN THAT DIRECTION REMAINED UNTARNISHED. INDONESIA WAS, HOWEVER, PARTICULARLY INTERESTED IN ASEAN'S DISCUSSIONS WITH EXTERNAL GROUPS SUCH AS THE EC, THE US, AND JAPAN. AFTER ALL, HE SAID, THE EC IN THE PAST HAD NOT BEEN TERRIBLY ATTENTIVE TO THE ASEAN AREA BUT NOW THAT THIS ATTENTION WAS EMERGING ASEAN SHOULD ENCOURAGE IT. ACCORDINGLY, IT WAS CLEARLY IN THE INTEREST OF MEMBER COUNTRIES TO CONCENTRATE ON CLOSE ASEAN CONTACT WITH THE WORLD'S MAJOR TRADING NATIONS.

9. COMMENT: THE INCOMPATIBILITY OF GOI'S DOMESTIC ECONOMIC PRIORITIES WITH ITS REGIONAL OBLIGATIONS IS INCREASINGLY EVIDENT. AT THE SAME TIME THE GOI AP-  
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 JAKART 01652 02 OF 02 041104Z

PARENTLY DOES NOT WISH TO JEOPARDIZE ITS EFFORTS TO EXPAND TRADE RELATIONS WITH INDUSTRIAL COUNTRIES BY RUSHING INTO INTRA-ASEAN ECONOMIC SCHEMES. GOI OFFICIALS SUCH AS PRAWIRO FEEL THAT THE EC EXPERIENCE WILL NOT BE RELEVANT TO ASEAN FOR MANY YEARS TO COME AND THAT AN LDC SUCH AS INDONESIA MUST NURTURE ITS OVERSEAS MARKETS WITH CARE.

10. WE ALSO DETECT AN ELEMENT OF INDONESIAN JEALOUSY VIS-A-VIS SINGAPORE WHICH, AS PRAWIRO COMMENTED, IS DOING MANY THINGS IN THE TRADE FIELD THAT INDONESIA WOULD LIKE TO DEVELOP FOR ITSELF. HOWEVER, IN OUR OPINION, THE CURRENT APPARENT RIFT IN THE ASEAN ECONOMIC PARTNERSHIP IS NOT OF A PERMANENT NATURE, BUT THE SPEED WITH WHICH IT MAY PROGRESS WILL DEPEND PRIMARILY ON ASEAN'S WILLINGNESS TO RECONCILE THE NATIONAL PRIORITIES OF ITS MEMBERS AS WELL AS A WILLINGNESS TO MODERATE THE MOVES TOWARDS FREER INTRA-REGIONAL TRADE.

NEWSOM

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC COOPERATION, POLICIES, TARIFFS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Sent Date:** 04-Feb-1977 12:00:00 am  
**Decaption Date:** 01-Jan-1960 12:00:00 am  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1977JAKART01652  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D770040-0809  
**Format:** TEL  
**From:** JAKARTA  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1977/newtext/t19770273/aaaacmjk.tel  
**Line Count:** 225  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** 40d497cb-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION EA  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 5  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 77 STATE 20410, 77 MANILA 1164  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 04-Jan-2005 12:00:00 am  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 3409313  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** ASEAN ECONOMIC DISAGREEMENT  
**TAGS:** EGEN, ETRD, EINV, ASEAN  
**To:** STATE  
**Type:** TE  
**vdkgvwkey:** odbc://SAS/SAS.dbo.SAS\_Docs/40d497cb-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009